

Dear Friends,

As 2010 ends, and a new year unfolds, we take this opportunity to reflect on some of the key regulatory developments that took place in the year gone by which are relevant for the Indian financial services sector. The year 2010 saw significant changes in the Indian legal framework including introduction of the draft Direct Taxes Code Bill, 2010 ('DTC'), changes in the Consolidated Foreign Direct Investment Policy and regulatory changes in the Foreign Institutional Investor ('FII') regime.

The most talked about proposal was the introduction of the DTC which seeks to overhaul the Indian tax system. The DTC introduces international concepts like General Anti-Avoidance Rule ('GAAR') and Controlled Financial Corporation ('CFC') Regulations. It also seeks to reduce the threshold for residence test for individuals, and make foreign companies with the place of effective management in India, liable to Indian taxation. Taxpayers and consultants are all gearing up to face the challenge these new rules will pose. Specifically in the context of inbound investments, use of offshore holding company structures without adequate substance may be laced with litigation with the introduction of GAAR. Likewise, many groups considering restructuring plans have accelerated their efforts to implement a tax efficient structure before the advent of GAAR.

2011 will be an important year for Vodafone and other multinationals which have come under the Indian tax scanner for their cross-border deals. After about 3 years post issue of first show cause notice by the Indian Revenue authorities ('IRA'), the Indian Supreme Court will rule on the merits of the case. In the meanwhile, the uncertainties created by this controversy continue to haunt the Merger & Acquisition deals, causing delayed closures and increased costs on account of tax indemnities.

In the global arena, some of President Barack Obama's policies have been game changing. With the introduction of the Dodd-Frank Act and the revised check-the-box regulations; 2011 will witness complex restructurings in the US-India corridor. The Private Equity ('PE') industry can breathe easy till the time they succeed in stalling the shift in the tax regime for carried interest in the US. Although some of President Obama's proposals have been challenged by the Republicans, nevertheless the direction of stiff financial regulation is quite apparent. Estate planning has assumed high level of significance in light of the upcoming platonic changes in the tax and estate duty regimes.

On the home front, 2011 will be an important year to watch with India getting a new Securities and Exchange Board of India ('SEBI') Chairman, a new Central Board of Direct Taxes Chairman, and a new judge who will chair the Authority for Advance Rulings ('AAR'). With the Indian economy promising to deliver approximately 8 percent growth rate in its gross domestic produce ('GDP'), the mood is upbeat. The philanthropic efforts of several large conglomerates have set a laudable trend for India Inc to follow.

Awards

- [BMR rated as a Great Place to Work, 2010; Great Place to Work Institute](#)
- [BMR is Tier 1 Tax Transactional and Tax Planning Firm in India, ITR's 2010 poll](#)
- [BMR is "Transfer Pricing Firm of the Year" and wins "India Case of the Year" award](#)
- [BMR named the leading Financial Advisor in the mid market segment in India and 10th in APAC](#)

Contributors

- [Shefali Goradia](#)
- [Parul Jain](#)
- [Deeksha Manchanda](#)
- [Pooja Thakkar](#)

Contacts

- Bobby Parikh, Mumbai
+91 22 3021 7010
bobby.parikh@bmradvisors.com
- Shefali Goradia, Mumbai
+91 22 3021 7170
shefali.goradia@bmradvisors.com
- Russell Gaitonde, Mumbai
+91 22 3021 7045
russell.gaitonde@bmradvisors.com

We have prepared and presented this compendium of key regulatory developments in 2010 affecting the following stakeholders in the financial services sector. We hope that you find this compendium informative and interesting.

1. [FIs](#)
2. [PE](#)
3. [Banks](#)
4. [Mutual funds / insurance](#)
5. [Non-Banking Financial Companies \('NBFCs'\)](#)
6. [Stock brokers](#)

We would like to thank our readers for supporting BMR and encouraging us in our knowledge sharing endeavours. Wish you all a happy new year!

Disclaimer:

This newsletter has been prepared for clients and Firm personnel only. It provides general information and guidance as on date of preparation and does not express views or expert opinions of BMR Advisors. The newsletter is meant for general guidance and no responsibility for loss arising to any person acting or refraining from acting as a result of any material contained in this newsletter will be accepted by BMR Advisors. It is recommended that professional advice be sought based on the specific facts and circumstances. This newsletter does not substitute the need to refer to the original pronouncements.



The information contained in this communication is intended solely for the use of the individual or entity to whom it is addressed and others authorized to receive it. This communication may contain confidential or legally privileged information. If you are not the intended recipient, any disclosure, copying, distribution or action taken relying on the contents is prohibited and may be unlawful. If you have received this communication in error, or if you or your employer do not consent to email messages of this kind, please notify us immediately by responding to this email and then delete it from your system. No liability is accepted for any harm that may be caused to your systems or data by this message. Unless related to BMR business, the opinions, conclusions and other information contained within this email are those of the sender alone and do not necessarily constitute those of the Firm.

follow us on
[twitter](#)